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# A BILL FOR AN ACT

RELATING TO MUTUAL BENEFIT SOCIETIES.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1 SECTION 1. Section 432:1-303, Hawaii Revised Statutes, is  
2 amended by amending subsection (c) to read as follows:

3 "(c) If the society does not offer or promise to pay any  
4 death benefits in excess of \$25 upon the death of a member, but  
5 merely offers or promises to pay disability benefits by reason  
6 of sickness or injury, or to pay any other benefits, with or  
7 without provision of death benefit in excess of \$25, the society  
8 [~~shall~~], before receiving a certificate of compliance with law  
9 from the commissioner, shall prove to the commissioner that at  
10 least one hundred members have each paid [~~in~~], in cash, in at  
11 least six regular monthly payments to the disability fund[~~-~~  
12 ~~such~~]; provided that payments in the aggregate shall:

13 (1) Amount to at least twenty times the maximum amount of  
14 disability or other benefits offered or promised to be  
15 paid to any one member during or within a period of  
16 thirty days[~~-~~];



- 1 (2) Be credited to [~~the~~] disability, sick, or other  
2 [~~benefit fund,~~] benefits; and
- 3 (3) During the period of organization of the society, be  
4 held in trust to be returned to the applicants or  
5 members who have made payment of the same, if and in  
6 case the organization of the society is not completed  
7 within one year."

8 SECTION 2. Section 432:1-304, Hawaii Revised Statutes, is  
9 amended to read as follows:

10 **"§432:1-304 Authority to offer death, sick, disability, or**  
11 **other benefits; special deposit and control of certain funds.**

12 Except as provided in this section and section 432:1-305, all  
13 regular payments received for account of death benefit, accident  
14 and health or sickness, or other [~~benefit funds,~~] benefits,  
15 during the period of organization of a society, shall not be  
16 used for the payment of any expenses of the society, but shall  
17 be placed on deposit or in trust in [~~some~~] a bank or trust  
18 company approved by the commissioner, payable to the society,  
19 but under the joint control with the commissioner. In case the  
20 organization of the society is not completed within one year,  
21 the funds shall be returned to the applicants or members who  
22 made payments of the respective amounts. If, however, the



1 organization is completed and the commissioner issues a  
2 certificate of compliance with the law, the funds [~~se~~] deposited  
3 in trust, together with interest, if any, shall be released by  
4 the commissioner in favor of the society."

5 SECTION 3. Section 432:1-305, Hawaii Revised Statutes, is  
6 amended by amending subsection (a) to read as follows:

7 "(a) At no time shall the society, except as provided in  
8 subsection (c), use more than twenty-five per cent of the  
9 payments up to \$100,000 and seven per cent of the payments in  
10 excess of \$100,000, received from its members or applicants in  
11 the form of admission fees, dues, contributions, or assessments  
12 of any nature for expenses other than taxes, in connection with  
13 the management or operation of the death benefit, sick,  
14 disability, or other [~~benefit funds.~~] benefits."

15 SECTION 4. Section 432:1-306, Hawaii Revised Statutes, is  
16 amended by amending subsection (a) to read as follows:

17 "(a) [~~After the organization of the society is completed,~~  
18 ~~and before a certificate of compliance is granted by the~~  
19 ~~commissioner, the]~~ The society shall deposit with the  
20 commissioner [~~one half the maximum amount required to be~~  
21 ~~maintained in its death benefit and disability, or sick, or~~  
22 ~~other benefit fund, as provided in section 432:1-401,]~~ fifty per



1 cent of the minimum net worth requirement as provided in section  
2 432:1-407(a)(2), either in cash or in securities approved by the  
3 commissioner[-]; provided that the deposit shall be not less  
4 than \$1,000,000 and shall not exceed \$20,000,000."

5 SECTION 5. Section 432:1-401, Hawaii Revised Statutes, is  
6 repealed.

7 [~~"**5432:1-401 Benefit funds.** Each society shall at all~~  
8 ~~times maintain:~~

9 (1) ~~In its death benefit fund, at least five times the~~  
10 ~~maximum amount of death benefit offered or promised to~~  
11 ~~be paid to any one member, and~~

12 (2) ~~In its sick, disability or other benefit fund, at~~  
13 ~~least twenty times the maximum amount of sick,~~  
14 ~~disability or other benefits, whichever maximum amount~~  
15 ~~is greater, offered or promised to be paid to any one~~  
16 ~~member during or within a period of thirty days-"]~~

17 SECTION 6. (a) The insurance commissioner shall appoint  
18 an independent auditor to conduct a comprehensive financial and  
19 operational audit of each domestic mutual benefit society formed  
20 under article 1 of chapter 432, Hawaii Revised Statutes, prior  
21 to 1950. The audit shall determine the impact of insurance  
22 reimbursements on the supply of physicians in the state.



1 (b) The insurance commissioner shall contract the services  
2 of an independent certified public accountant, accounting firm,  
3 or other appropriate entity for the purposes of conducting the  
4 audit.

5 (c) The audit shall be submitted to the legislature and  
6 the governor no later than twenty days prior to the convening  
7 the regular session of 2011.

8 SECTION 7. There is appropriated out of the general  
9 revenues of the State of Hawaii the sum of \$ or so much  
10 thereof as may be necessary for fiscal year 2008-2009 for a  
11 comprehensive audit of Hawaii's domestic mutual benefit  
12 societies established prior to 1950.

13 The sum appropriated shall be expended by the department of  
14 commerce and consumer affairs for the purposes of this part.

15 SECTION 8. Statutory material to be repealed is bracketed  
16 and stricken. New statutory material is underscored.

17 SECTION 9. This Act shall take effect upon its approval;  
18 provided that section 7 shall take effect on July 1, 2008.



**Report Title:**

Mutual Benefit Societies

**Description:**

Maintains competition and consumer choice by deleting requirements that pose obstacles to smaller health plans. Deletes requirement that health plans must maintain a fund equal to "one half of twenty times the maximum benefits paid in 30 days" and caps the deposit requirement at \$20 million. Requires the Insurance Commissioner to appoint an independent auditor to conduct a financial and operational audit of mutual benefit societies established in Hawaii prior to 1950. (SB3016 HD1)

